

**CLARKSVILLE  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2010

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CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2009 Election)</b>		
Kurt Wedeking	President	2011
Chris Fenneman	Vice President	2009
Chris Backer		2011
Sharon Markussen		2009
Joyce Freese		2009

<b>(After September 2009 Election)</b>		
Kurt Wedeking	President	2011
Chris Backer	Vice President	2011
Justin Clark		2013
Sharon Markussen		2013
Rachelle Kelm		2013

**School Officials**

Robert Longmuir	Superintendent
Shellee Bartlett	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

### Member:

American Institute of Certified  
Public Accountants

Iowa Society of Certified  
Public Accountants

### Services:

Individual, Partnership and  
Corporate Tax Preparation

Year Round Tax Planning

Electronic Filing

Payroll & Sales Tax  
Preparation

I.R.S. Representation

Monthly/Quarterly Write-Up

Data Processing Services

Payroll Preparation

Computerized Financial  
Statements

Bank Loan Assistance

### Plus:

Over 30 years of Expertise and  
Experience

Evenings & Saturdays Available  
by Appointment

Extended Hours During Tax  
Season

To the Board of Education of  
Clarksville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Clarksville Community School District, Clarksville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Clarksville Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

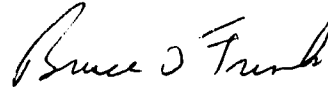
In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2011 on our consideration of Clarksville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarksville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**BRUCE D. FRINK**  
**Certified Public Accountant**

January 5, 2011

# CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

Clarksville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,700,575 in fiscal 2009 to \$3,542,518 in fiscal 2010, while General Fund expenditures increased from \$3,569,188 in fiscal 2009 to \$3,640,658 in fiscal 2010. The District's General Fund balance decreased from \$185,128 in fiscal 2009 to \$86,988 in fiscal 2010.
- The District absorbed a ten percent state aid cut in mid-year. This was the largest state aid cut ever. The timing of the cut was such that the District could not cut expenses in a timely manner to avoid a large drop in the General Fund balance.
- The District received \$185,674 in revenues from the statewide sales, services and use tax program.
- The District's Certified Enrollment increased from 371.8 students in October 2008 to 378.8 students in October 2009. The District received weighting of 8.4 students as part of the DE approved preschool program.
- The number of students who open enrolled out of the District increased by 9 students in the October 2009 Certified Enrollment compared to the October 2008 Certified Enrollment while the number of students who open enrolled in to the District decreased by 2. The net difference between the District's open enrollment in (positive financial impact) and its open enrollment out (negative financial impact) was a negative 29 students.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clarksville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clarksville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clarksville Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds, as well as a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Clarksville Community School District Annual Financial Report**

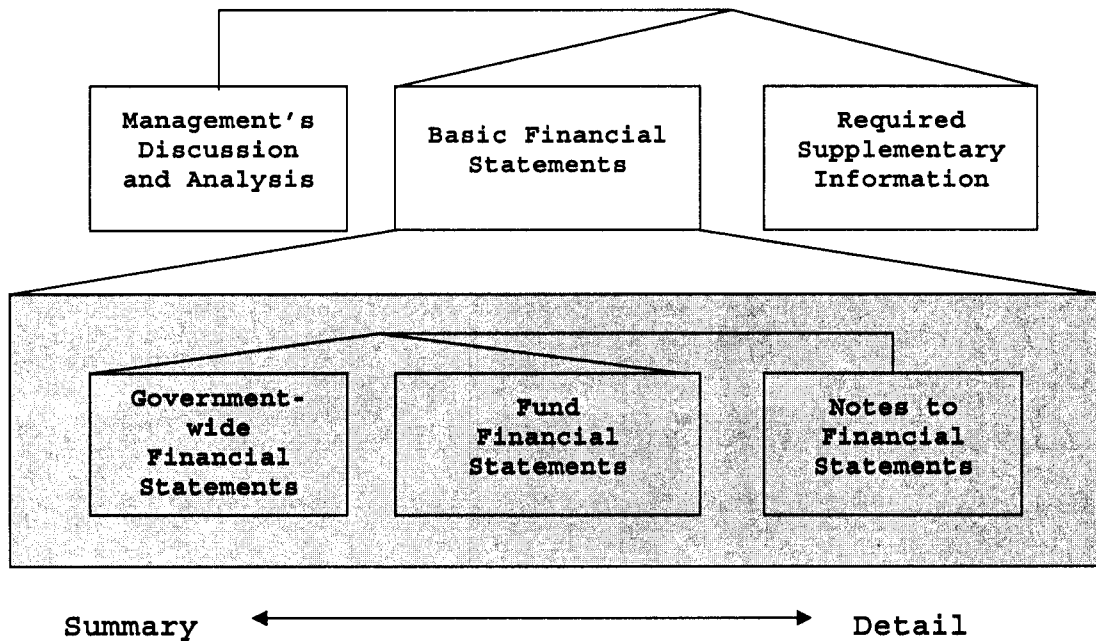


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has chosen to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 1,988	2,136	60	57	2,048	2,193	-6.61%
Capital assets	2,047	1,974	6	10	2,053	1,984	3.48%
<b>Total assets</b>	<b>4,035</b>	<b>4,110</b>	<b>66</b>	<b>67</b>	<b>4,101</b>	<b>4,177</b>	<b>-1.82%</b>
Current liabilities	1,254	1,404	2	2	1,256	1,406	-10.67%
Non-current liabilities	142	55	-	-	142	55	158.18%
<b>Total liabilities</b>	<b>1,396</b>	<b>1,459</b>	<b>2</b>	<b>2</b>	<b>1,398</b>	<b>1,461</b>	<b>-4.31%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	2,005	1,919	6	10	2,011	1,929	4.25%
Restricted	468	312	-	-	468	312	50.00%
Unrestricted	166	420	58	55	224	475	-52.84%
<b>Total net assets</b>	<b>\$ 2,639</b>	<b>2,651</b>	<b>64</b>	<b>65</b>	<b>2,703</b>	<b>2,716</b>	<b>-0.48%</b>

Total net assets fell 1% primarily due to a decrease in the General Fund. Unrestricted net assets fell over \$200,000 primarily due to the mid-year cut in state aid. The District also spent over \$200,000 on items whose cost will be depreciated over their useful lives. While this required the use of current assets, the expense is spread out under generally accepted accounting principles.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2010	2009	2010	2009	2010	2009	2009-2010	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 89	111	97	97	186	208	-10.58%
Operating grants, contributions and restricted interest	944	770	84	77	1,028	847	21.37%
General revenues:							
Property tax	1,136	1,130	-	-	1,136	1,130	0.53%
Income surtax	245	222	-	-	245	222	10.36%
Statewide sales, services and use tax	186	217	-	-	186	217	-14.29%
Unrestricted state grants	1,471	1,788	-	-	1,471	1,788	-17.73%
Unrestricted investment earnings	12	14	-	-	12	14	-14.29%
Other	2	6	-	-	2	6	-66.67%
Total revenues	4,085	4,258	181	174	4,266	4,432	-3.75%
Program expenses:							
Governmental activities:							
Instruction	2,912	2,784	-	-	2,912	2,784	4.60%
Support Services	845	848	-	-	845	848	-0.35%
Non-instructional programs	3	3	182	174	185	177	4.52%
Other expenses	337	283	-	-	337	283	19.08%
Total expenses	4,097	3,918	182	174	4,279	4,092	4.57%
Change in net assets	\$ (12)	340	(1)	-	(13)	340	-103.82%

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 88% of the total expenses. The District continues to focus more of its expenditures each year on activities directly related to student education than the state average.

## Governmental Activities

Revenues for governmental activities were \$4,047,545 and expenses were \$4,082,568 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 2,912	2,784	4.60%	2,083	2,073	0.48%
Support Services	845	848	-0.35%	809	823	-1.70%
Noninstructional	3	3	0.00%	3	3	0.00%
Other expenses	337	283	19.08%	169	138	22.46%
Totals	\$ 4,097	3,918	4.57%	3,064	3,037	0.89%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$89,167.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$645,639.
- The net cost of governmental activities was financed with \$1,135,945 in property tax (virtually no change) and \$1,470,642 in state foundation aid (an 18% decrease). Increased federal funding was insufficient to cover the loss in state aid.

## PROPRIETARY-TYPE FUNDS

Revenues for the District's School Nutrition Fund were \$180,421 and expenses were \$181,907. The revenues include charges for services, contributions, and federal and state reimbursements.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Clarksville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$521,384, which is six percent less than last year's ending fund balance of \$556,407.

## Governmental Fund Highlights

Several factors contributed to the decrease of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The District received revenues of \$185,674 from the statewide sales, services and use tax. This was a decrease of over \$30,000.
- For the third consecutive year, the District absorbed a mid-year state aid cut. This cut was triple the previous highest cut.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$64,869 at June 30, 2009 to \$63,383 at June 30, 2010, a two percent decrease. The fund's cash balance actually increased over \$4,000. Depreciation expense on previously purchased equipment accounted for the difference.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget was amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. Actual amounts for state source revenues were over \$400,000 less than anticipated. Increased federal revenues offset less than half this amount. The District did not exceed the budgeted expenditure amounts or the unspent authorized budget during fiscal 2010.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The District has invested more than \$2.0 million, net of accumulated depreciation, by the end of fiscal year 2010 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$162,000. Additions to capital assets exceeded \$230,000 during the year.

### **Long-Term Debt**

The District borrowed \$54,977 for the purchase of a school bus from Iowa State Bank. The loan will be paid off over the next four years with an interest rate of 3.65%, with proceeds from the Physical Plant and Equipment Levy. The balance remaining at June 30, 2010 was \$41,989.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District projects that its enrollment will be stable over the next five years. Birth rates in Clarksville District have been consistent for the past fifteen years. The District's enrollment increased by 8.0 students from October 2009 to October 2010, but this was offset by an increase of 11 students open enrolling out to other districts.
- The District's total taxable valuation increased 4.9%, \$3,555,490, for the 2009-2010 school year.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal "No Child Left Behind Act" and the state "Student Achievement and Teacher Quality Initiative". This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shellee Bartlett, District Secretary/Treasurer and Business Manager, Clarksville Community School District, 318 N Mather, Clarksville, Iowa 50619.

## Basic Financial Statements

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities School Nutrition	Total
<b>Assets</b>			
Cash	\$ 429,798	51,688	481,486
Receivables:			
Property tax:			
Current year	15,298	-	15,298
Succeeding year	1,179,017	-	1,179,017
Income surtax - succeeding year	212,876	-	212,876
Due from other governments	128,370	-	128,370
Other receivables	22,979	-	22,979
Inventories	-	7,805	7,805
Capital assets, net of accumulated depreciation	2,046,659	6,029	2,052,688
<b>Total assets</b>	<b>4,034,997</b>	<b>65,522</b>	<b>4,100,519</b>
<b>Liabilities</b>			
Accounts payable	69,688	2,139	71,827
Deferred revenue:			
Federal programs	5,373	-	5,373
Succeeding year property tax	1,179,017	-	1,179,017
Long-term liabilities:			
Portion due within one year:			
Early retirement	21,600	-	21,600
Bus loan note payable	13,498	-	13,498
Portion due after one year:			
Net OPEB liability	19,015	-	19,015
Early retirement	59,400	-	59,400
Bus loan note payable	28,491	-	28,491
<b>Total liabilities</b>	<b>1,396,082</b>	<b>2,139</b>	<b>1,398,221</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,004,670	6,029	2,010,699
Restricted for:			
Student activity fund	55,325	-	55,325
Management levy	7,446	-	7,446
Physical plant and equipment levy	154,464	-	154,464
Capital projects	207,120	-	207,120
Categorical funding	44,353	-	44,353
Unrestricted	165,537	57,354	222,891
<b>Total net assets</b>	<b>\$ 2,638,915</b>	<b>63,383</b>	<b>2,702,298</b>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 2,912,161	72,988	755,759	(2,083,414)	-	(2,083,414)
Support services:						
Student services	54,720	-	-	(54,720)	-	(54,720)
Instructional staff services	87,520	-	-	(87,520)	-	(87,520)
Administration services	346,857	-	-	(346,857)	-	(346,857)
Operation and maintenance of plant services	242,285	-	20,342	(221,943)	-	(221,943)
Transportation services	113,787	16,179	-	(97,608)	-	(97,608)
	845,169	16,179	20,342	(808,648)	-	(808,648)
Non-instructional programs:						
Food service operations	3,049	-	-	(3,049)	-	(3,049)
Other expenditures:						
AEA flowthrough	163,720	-	163,720	-	-	-
Long-term debt interest and services	2,043	-	-	(2,043)	-	(2,043)
Facilities acquisition and construction	28,156	-	3,736	(24,420)	-	(24,420)
Depreciation (unallocated)*	142,605	-	-	(142,605)	-	(142,605)
	336,524	-	167,456	(169,068)	-	(169,068)
Total governmental activities	4,096,903	89,167	943,557	(3,064,179)	-	(3,064,179)



## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

**Assets**

Cash									
Receivables:									
Property tax:									
Current year									
Succeeding year									
Income surtax - succeeding year									
Due from other governments									
Other receivables									
<b>Total assets</b>									
	\$	55,896	148,381	87,201	55,325	82,995	429,798		
		13,543	-	1,245	-	510	15,298		
		1,053,448	-	92,500	-	33,069	1,179,017		
		141,917	-	-	-	70,959	212,876		
		69,631	58,739	-	-	-	128,370		
		22,979	-	-	-	-	22,979		
	\$	1,357,414	207,120	180,946	55,325	187,533	1,988,338		

**Liabilities and Fund Balances**

Liabilities:									
Accounts payable	\$	69,688	-	-	-	-	69,688		
Deferred revenue:									
Federal programs		5,373	-	-	-	-	5,373		
Succeeding year property tax		1,053,448	-	92,500	-	33,069	1,179,017		
Succeeding year income surtax		141,917	-	-	-	70,959	212,876		
Total liabilities		1,270,426	-	92,500	-	104,028	1,466,954		
Fund balances:									
Reserved for:									
Categorical funding		44,353	-	-	-	-	44,353		
Unreserved, reported in:									
General Fund		42,635	-	-	-	-	42,635		
Capital projects		-	207,120	-	-	-	207,120		
Special revenue funds		-	-	88,446	55,325	83,505	227,276		
Total fund balances		86,988	207,120	88,446	55,325	83,505	521,384		
<b>Total liabilities and fund balances</b>		\$ 1,357,414	207,120	180,946	55,325	187,533	1,988,338		

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)		\$ 521,384
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.		212,876
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,046,659
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Net OPEB liability	(19,015)	
Early retirement	(81,000)	
Bus loan note payable	(41,989)	(142,004)
Net assets of governmental activities (Exhibit A)		<u>\$ 2,638,915</u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2010

	General	Capital Projects	Debt Service	Management	Student Activity	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>							
Local sources:							
Local tax	\$ 1,143,716	185,674	-	92,258	-	106,847	1,528,495
Tuition	72,988	-	-	-	-	-	72,988
Other	45,926	3,736	-	9,137	95,923	11,339	166,061
State sources	1,936,203	-	-	80	-	33	1,936,316
Federal sources	343,685	-	-	-	-	-	343,685
Total revenues	3,542,518	189,410	-	101,475	95,923	118,219	4,047,545
<b>Expenditures:</b>							
Current:							
Instruction	2,677,911	-	-	27,460	99,905	6,870	2,812,146
<b>Support services:</b>							
Student services	54,720	-	-	-	-	-	54,720
Instructional staff services	91,451	-	-	-	-	30,161	121,612
Administration services	344,652	-	-	2,205	-	-	346,857
Operation and maintenance of plant services	215,553	23,629	-	39,419	-	17,760	296,361
Transportation services	92,651	-	-	5,812	-	-	98,463
	799,027	23,629	-	47,436	-	47,921	918,013
<b>Non-instructional programs:</b>							
Food service operations	-	-	-	3,049	-	-	3,049

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2010

	General	Capital Projects	Debt Service	Management	Student Activity	Physical Plant and Equipment Levy	Total
Other expenditures:							
AEA flowthrough	163,720	-	-	-	-	-	163,720
Long-term debt:							
Principal	-	-	12,988	-	-	-	12,988
Interest	-	-	2,043	-	-	-	2,043
Facilities acquisition and construction	-	142,452	-	-	-	28,157	170,609
	163,720	142,452	15,031	-	-	28,157	349,360
Total expenditures	3,640,658	166,081	15,031	77,945	99,905	82,948	4,082,568
Excess (deficiency) of revenues over (under) expenditures	(98,140)	23,329	(15,031)	23,530	(3,982)	35,271	(35,023)
Other financing sources (uses):							
Operating transfers in	-	-	15,031	-	-	355	15,386
Operating transfers out	-	-	(355)	-	-	(15,031)	(15,386)
	-	-	14,676	-	-	(14,676)	-
Net change in fund balances	(98,140)	23,329	(355)	23,530	(3,982)	20,595	(35,023)
Fund balances beginning of year	185,128	183,791	355	64,916	59,307	62,910	556,407
Fund balances end of year	\$ 86,988	207,120	-	88,446	55,325	83,505	521,384

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ (35,023)

*Amounts reported for governmental activities in the Statement of Activities  
 are different because:*

Income surtaxes not collected for several months after the District's  
 fiscal year ends are not considered "available" revenues in the  
 governmental funds and are included as deferred revenues. They are,  
 however, recorded as revenues in the statement of activities

This represents the change in income surtax receivable from FY09 to FY10

37,839

Capital outlays to purchase or build capital assets are reported in  
 governmental funds as expenditures. However, those costs are not  
 reported in the Statement of Activities and are allocated over their  
 estimated useful lives as depreciation expense in the Statement of  
 Activities. The amounts of capital outlays and depreciation expense  
 in the year are as follows:

Capital outlays	230,621	
Depreciation expense	<u>(157,929)</u>	72,692

Repayment of long-term debt is an expenditure in the governmental funds, but  
 the repayment reduces long-term liabilities in the Statement of Net Assets.  
 Assets.

12,988

Some expenses reported in the Statement of Activities do not require the use  
 of current financial resources, and, therefore, are not reported as  
 expenditures in the governmental funds, as follows:

Early retirement	(81,000)	
Other postemployment benefits	<u>(19,015)</u>	<u>(100,015)</u>

Change in net assets of governmental activities (Exhibit B) \$ (11,519)

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 97,360
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	66,596
Benefits	10,934
Services	3,468
Supplies	96,120
Depreciation	4,789
Total operating expenses	<u>181,907</u>
Operating (loss)	<u>(84,547)</u>
Non-operating revenues:	
State sources	1,849
Federal sources	80,292
Interest income	920
	<u>83,061</u>
Net (loss)	(1,486)
Net assets beginning of year	<u>64,869</u>
Net assets end of year	<u>\$ 63,383</u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 97,360
Cash payments to employees for services	(77,530)
Cash payments to suppliers for goods or services	(82,623)
Net cash (used by) operating activities	<u>(62,793)</u>
Cash flows from non-capital financing activities:	
State grants received	1,849
Federal grants received	65,513
Net cash provided by non-capital financing activities	<u>67,362</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(1,365)
Cash flows from investing activities:	
Interest on investments	<u>920</u>
Net increase in cash and cash equivalents	4,124
Cash and cash equivalents beginning of year	<u>47,564</u>
Cash and cash equivalents end of year	<u>\$ 51,688</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (84,547)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	4,789
Commodities used	14,779
Decrease in inventory	1,941
Increase in accounts payable	245
	<u>\$ (62,793)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received federal commodities valued at \$14,779.

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

	Private Purpose Trusts <u>Scholarships</u>
<b>Assets</b>	
Cash	\$ 55,644
<b>Total assets</b>	<u>55,644</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>55,644</u>
<b>Total net assets</b>	<u>\$ 55,644</u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Miscellaneous	\$ 2,196
Total additions	<u>2,196</u>
Deductions:	
Support services:	
Scholarships	<u>2,700</u>
Total deductions	<u>2,700</u>
Change in net assets	(504)
Net assets beginning of year	<u>56,148</u>
Net assets end of year	<u>\$ 55,644</u>

See notes to financial statements.

# CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### (1) Summary of Significant Accounting Policies

Clarksville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Clarksville, Iowa, and agricultural area in Butler County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Clarksville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Clarksville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Butler County Assessor Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has chosen to include all governmental funds as major funds, whether they meet the criteria or not. This was done for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amended amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

#### (2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2010.

#### (3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,505	-	-	9,505
Capital assets being depreciated:				
Buildings and improvements	3,818,797	179,691	-	3,998,488
Machinery and equipment	717,950	50,930	41,635	727,245
Total capital assets being depreciated	4,536,747	230,621	41,635	4,725,733
Less accumulated depreciation for:				
Buildings	2,057,247	94,066	-	2,151,313
Machinery and equipment	515,038	63,863	41,635	537,266
Total accumulated depreciation	2,572,285	157,929	41,635	2,688,579
Total capital assets being depreciated, net	1,964,462	72,692	-	2,037,154
Governmental activities, capital assets, net	\$ 1,973,967	72,692	-	2,046,659

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 54,484	1,365	-	55,849
Less accumulated depreciation	<u>45,031</u>	<u>4,789</u>	-	<u>49,820</u>
Business type activities capital assets, net	<u>\$ 9,453</u>	<u>(3,424)</u>	-	<u>6,029</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

\$ 15,324

142,605

\$ 157,929

Business Type activities:

Food service operations

\$ 4,789

#### (4) Bus Loan Payable

In August, 2008 the District borrowed \$54,977 for the purchase of a school bus from the Iowa State Bank. The loan will be repaid over four years from proceeds of the District's Physical Plant and Equipment Levy.

Details of the District's June 30, 2010 bus loan payable are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	3.65%	\$13,498	1,533	15,031
2012	3.65	13,991	1,040	15,031
2013	3.65	<u>14,500</u>	<u>530</u>	<u>15,030</u>
		<u>\$41,989</u>	<u>3,103</u>	<u>45,092</u>

#### (5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$163,720 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (6) Risk Management

Clarksville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Changes in Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	<u>Bus Loan Payable</u>
Balance beginning of year	\$54,972
Additions	-
Reductions	<u>12,988</u>
Balance end of year	<u>\$41,989</u>

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$117,924, \$118,456, and \$98,361 respectively, equal to the required contributions for each year.

**(9) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	<u>\$15,031</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(10) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. The District had no ISCAP activity for the year ended June 30, 2010.

During the year end June 30, 2010, the District paid \$5,569 of interest on the ISCAP warrants.

(11) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 35 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$20,704
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	20,704
Contributions made	(1,688)
Increase in net OPEB obligation	19,015
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$19,015</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$1,688 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$20,704	8.2%	\$19,015

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$163,536, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$163,536. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,887,000 and the ratio of the UAAL to covered payroll was 8.7%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$374 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(12) Early Retirement**

The District instituted an early retirement plan for certified staff for the year ending June 30, 2010. This is a one year only program. Eligible employees will have reached the age of 55 and completed at least twenty years of teaching services to the District. Staff were required to submit an application prior to March 26, 2010 to the board of education. The District will provide the cost of health insurance premiums (not to exceed \$450 per month) for up to sixty months. Four individuals took advantage of this offer and will be paid a total of \$81,000 over the next five years. No benefits were paid in the fiscal year ending June 30, 2010.

## **Required Supplementary Information**

**CLARKSVILLE COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 1,767,544	98,280	1,865,824	1,854,145	1,854,145	11,679
State sources	1,936,316	1,849	1,938,165	2,360,886	2,360,886	(422,721)
Federal sources	343,685	80,292	423,977	232,750	232,750	191,227
Total revenues	<u>4,047,545</u>	<u>180,421</u>	<u>4,227,966</u>	<u>4,447,781</u>	<u>4,447,781</u>	<u>(219,815)</u>
<b>Expenditures/expenses:</b>						
Instruction	2,812,146	-	2,812,146	2,934,449	2,974,449	162,303
Support services	918,013	-	918,013	983,030	1,052,226	134,213
Non-instructional programs	3,049	181,907	184,956	201,500	208,220	23,264
Other expenditures	349,360	-	349,360	374,892	502,121	152,761
Total expenditures/expenses	<u>4,082,568</u>	<u>181,907</u>	<u>4,264,475</u>	<u>4,493,871</u>	<u>4,737,016</u>	<u>472,541</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(35,023)	(1,486)	(36,509)	(46,090)	(289,235)	252,726
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(35,023)	(1,486)	(36,509)	(46,090)	(289,235)	252,726
Balance beginning of year	556,407	64,869	621,276	433,975	433,975	187,301
Balance end of year	<u>\$ 521,384</u>	<u>63,383</u>	<u>584,767</u>	<u>387,885</u>	<u>144,740</u>	<u>440,027</u>

See accompanying independent auditor's report.

**CLARKSVILLE COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$243,145.

During the year ended June 30, 2010, expenditures did not exceed the amended budgeted amount in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$164	\$164	0.0%	\$1,887	8.7%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **Other Supplementary Information**

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Interest	9,646	2,581	1,925	10,302
Athletics	7,070	32,644	27,977	11,737
Athletics Clearing	730	8,538	9,268	-
Get a Grip	374	-	-	374
School Store	3,760	4,688	4,425	4,023
Jump Rope for Heart	134	-	-	134
Special Donations	1,941	1,680	2,497	1,124
JH Magazines	1,540	5,070	4,932	1,678
Elementary Projects	2,320	2,393	3,239	1,474
JH Student Council	738	-	-	738
SH Student Council	2,629	3,745	4,273	2,101
Cheerleaders	927	801	702	1,026
Instrumental Music	95	837	850	82
Music Fundraiser/Trip	1,005	-	-	1,005
Drill Team	485	1,243	935	793
National Honor Society	1,858	881	1,082	1,657
Spanish Club	2,533	4,320	3,065	3,788
Drama/Speech	173	699	872	-
Yearbook	4,082	5,132	4,813	4,401
Home Economics	623	208	208	623
Industrial Technology	627	277	259	645
Senior Class	54	2,806	226	2,634
Junior Class	1,387	12,262	13,420	229
Sophomore Class	134	250	203	181
Freshman Class	260	235	356	139
8th Grade Class	85	130	215	-
7th Grade Class	20	-	20	-
Special Clearing	-	2,173	2,173	-
Recycling Project	4,680	930	1,289	4,321
JH Math	116	-	-	116
Playground Project	9,281	1,400	10,681	-
Total	59,307	95,923	99,905	55,325

See accompanying independent auditor's report.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Asher Scholarship	\$ 12,594	413	-	13,007
Weinberg Scholarship	34,432	1,102	2,000	33,534
Winkey Scholarship	6,880	221	300	6,801
Eslinger Scholarship	1,767	58	-	1,825
Herrera Scholarship	75	2	-	77
Clarksville Alumni	400	400	400	400
Total	<u>\$ 56,148</u>	<u>2,196</u>	<u>2,700</u>	<u>55,644</u>

See accompanying independent auditor's report.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Schedule of Revenues by Source and Expenditures by Function

### All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 1,528,495	\$ 1,560,377	1,509,161	1,502,830	1,380,329	1,347,315	1,302,884
Tuition	72,988	79,973	75,297	72,100	95,152	86,628	115,871
Other	166,061	186,687	174,416	207,739	215,024	155,200	146,862
State sources	1,936,316	2,263,663	1,933,068	1,714,184	1,544,051	1,570,049	1,474,177
Federal sources	343,685	158,525	111,912	137,009	289,141	124,031	247,513
Total	<u>\$ 4,047,545</u>	<u>\$ 4,249,225</u>	<u>3,803,854</u>	<u>3,633,862</u>	<u>3,523,697</u>	<u>3,283,223</u>	<u>3,287,307</u>
Expenditures:							
Instruction	\$ 2,812,146	\$ 2,783,688	2,567,449	2,369,658	2,293,561	2,203,668	2,225,277
Support services:							
Student	54,720	49,688	35,537	17,759	1,237	34,192	25,466
Instructional staff	121,612	145,129	135,110	64,119	91,556	62,007	40,261
Administration	346,857	335,648	345,752	338,570	335,300	413,221	360,814
Operation and maintenance of plant	296,361	270,017	320,803	243,655	262,646	208,781	222,050
Transportation	98,463	163,408	102,373	95,011	75,843	71,999	75,741
Non-instructional programs	3,049	3,029	2,629	1,492	1,495	1,441	1,636
Other expenditures:							
Facilities acquisition	170,609	82,109	74,792	35,117	255,319	100,500	193,176
Debt service:							
Principal	12,988	165,000	155,000	154,000	144,000	139,000	130,000
Interest and services	2,043	8,155	15,285	22,110	28,010	34,085	39,935
AEA flowthrough	163,720	139,317	124,258	11,475	109,443	110,505	111,114
Total	<u>\$ 4,082,568</u>	<u>\$ 4,145,188</u>	<u>3,878,988</u>	<u>3,352,966</u>	<u>3,598,410</u>	<u>3,379,399</u>	<u>3,425,470</u>

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Clarksville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarksville Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarksville Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarksville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarksville Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

202 Central Avenue East  
P.O. Box 241  
Clarion, IA 50525

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bruce@frinkcpa.com

### Compliance and Other Matters

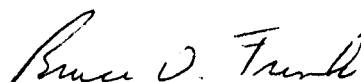
As part of obtaining reasonable assurance about whether Clarksville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted no instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarksville Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Clarksville Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarksville Community School District and other parties to whom Clarksville Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarksville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

January 5, 2011

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-10 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-10 AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

**CLARKSVILLE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2010

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-10      Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the amended certified budget amount in any of the four functions.
- II-B-10      Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10      Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-10      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-10      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-H-10      Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- II-I-10      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-10      Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-K-10      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-10      Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance	\$ -
Statewide sales, services and use tax revenue	185,674
Expenditures/transfers out:	
School infrastructure:	
Buildings and improvements	<u>166,081</u>
Ending balance	\$ <u>19,593</u>